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WHO WILL CONTROL U.S. AGRICULTURE?
THE SITUATION WHICH BROUGHT
IT ABOUT

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Which Brought It About

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The topic who will control agriculture is both ancient and yet new. It is ancient in that from the time man divided up tasks in providing food until the era of modern commercial farming, the organizational system has been of importance to farmers. It has been important to those associated with farm production or marketing and to those dependent upon it for food--thus, it is important to everyone.

In an historical perspective farming has been organized in many ways and it is organized differently in different parts of the world today. For example, farms range from the minifundia to the semi-feudal estates in South America and from the fragmented hereditary plots of Europe to large corporate farms in the Southwest of the U.S. and huge state farms in the Communist world. In much of the U.S. a small unit proprietorship organizational system has prevailed.

We, in the U.S., are moving from a dispersed system of a small unit proprietorship type of farm organizational system towards its opposite--concentration in both production and market organization. We use the term dispersed to avoid being bound to the terms and the system of the past or present. A concentrated organizational system refers to farm production and marketing being controlled by a relatively few firms.

Pressures for Change

Why is the traditional farm production and marketing organizational

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system changing? There are numerous persistent pressures for volume production and reorganization of the system. Some of the reasons are:

1. Increasing technical complexity and specialization.
2. Increasing labor costs that contribute to mechanization and larger size operations.
3. Increasing certainty in annual productivity increases along with improved credit practices that make it possible for larger sized firms to assume greater risks.
4. Scarcity of highly productive farm land coupled with the need for non-farm uses.
5. Effects of tax laws and rules making it easy for non-farmers to outbid farmers for land.
6. Pressures to align with business organizations based upon merchandising strategy.
7. Minority political position of farmers.

The consequences of more centralized control of production and marketing would differ from the present system--the consequences would differ for producers, for firms supplying production inputs, for firms marketing and processing products, for rural communities, and for consumers. The uncertainty of the consequences of changing the organizational system for agriculture gives rise to the concern about who will control U.S. agriculture.

Decision-Making and Control of Agriculture

Control is closely related to decision-making and people in general, and farmers in particular, place a high value on the decision-making role. Formerly, when farmers were numerous and had political power they controlled U.S. agricultural policy and the organizational system. Everyone knew who

would make the decisions in agriculture--farmers. They ran the farms, controlled farm organizations and elected Congressmen. It is different today. Farmers and agricultural interests did not raise policy issues about tobacco and health, or pesticides and the numerous farm-related environmental or pollution issues.

The issue on who will control agriculture and the type of organizational system that is to prevail is strange and foreboding to many of us. But decisions will be made and people are asking for assistance when they pose such questions as:

1. Who will own the resources used in agriculture?
2. Will farm operators be decision-makers?
3. To what extent will farmers organize and delegate some of their decisions to cooperatives or bargaining groups?
4. Are suppliers of inputs or marketers wanting to integrate or contract farm production going to control agriculture?
5. Will tax advantages attracting non-farm capital into agriculture shift land ownership to a new land-holding class of people?
6. Will farmers have access to markets? to capital? to new technology? to labor?
7. To what extent will society impose their decisions on agriculture?

These kind of questions are being asked by enough leaders and lay people that many of us have become concerned about the issue.

Further Identification of the Issue

I do not intend to review the decline in farm numbers and increasing concentration of production on larger farms.^{1/}

^{1/} Kyle, R. Leonard, Sundquist, W. B. and Guither, H. D., Who Will Control U.S. Agriculture? Chapter 1, NCR Ext. 32, University of Illinois.

Let's recognize some people are concerned with large scale production units and the ownership patterns.^{1/} There are increasing concerns expressed about integrated or contractual arrangements to market products through industrialized food system conglomerates that some day may approach the concentration of power now present in many segments of our industrial sector.^{2/}

Let's further recognize a concern over supplying and transmitting of knowledge and, thus control, through more closely coordinated arrangements that may limit access to this vital factor.^{3/} Tax policies do influence capital accumulation, land ownership and organizational structure.^{4/}

The policy issue is the type of system and control of the system. It is not concerned with keeping things as they are--it is neither possible nor desirable. The basic issue is what type of farm production and marketing organizational system is to prevail and who will control it?

Involved are the fundamental questions of, "What kind of agriculture do we want?" and "What rules of the game do we want to play by?" The normal criteria of freedom, income, efficiency, security and equity apply. With the obvious conflicts some trade-offs are necessary. Again, I do not intend to review goals and values. But, if we are to come to grips with the control of agriculture issue, we must include some definition of alternative national agricultural policy goals.^{5/} Some consensus must exist in the desires, values and goals of farmers, tenants, hired workers, marketers,

^{1/} Barlow, Raleigh and Libby, Lawrence, Ibid, Chapter 3.

^{2/} Rhodes, V. J., Ibid, Chapter 5.

^{3/} Guither, Harold D. and Krause, Kenneth R., Ibid, Chapter 4.

^{4/} Dorow, Norbert A., Ibid, Chapter 6.

^{5/} Breimyer, Harold F. and Barr, Wallace, Ibid, Chapter 2.

input suppliers, rural communities, and consumers if viable and acceptable solutions are to be found. What kind of world do we want to live in? Does our wish fit better with a dispersed system of farm production and marketing or a concentrated one?

Some Manifestations of the Issue

A whole set of related issues are emerging publicly and in legislative halls around the core question, "Who will control U.S. agriculture?" and the underlying issue of the organizational system. Some of these manifestations include:

1. Legislation now before U.S. Congress to preserve the family farm. The Family Farm Act would keep big non-farm corporations out of farming. The legislation would prohibit ownership and leasing of land, as well as contracts with others or by integration.

2. The concern about who will control agriculture is reflected in bargaining legislation before Congress that is intended to strengthen producer groups or provide countervailing forces in dealing with the firms that buy their products.

3. A third manifestation of the concern is the revival of interest in farm cooperatives as a means of achieving some economies of scale and market strength on the input side of farming, the output side, or both.

4. Another manifestation is the concern about non-farm people, or non-farm corporates investing in farmland for tax savings purposes.

5. In another sense, the great interest in programs and policies improving off-farm employment opportunities for rural residents is a manifestation of interest in dispersing population, land ownership and control of the land resource.

The Framework--A Couple of Alternatives

The terms "dispersed agriculture" and "concentrated agriculture" differentiates between extremes and is useful for contrast purposes. So a range of choices is used to assist in an effort to classify the farm production and market organizational system for analysis and discussion purposes.

1. Independent producers - open market
2. Corporations
3. Cooperatives
4. Government involvement
5. Combination

The afternoon program and the north central regional extension educational program is organized to use this classification. This set of alternatives is production-oriented and may be an over-simplification of a very complex issue. We use a pure approach that simplifies and expedites analysis and discussion.

The proportionate value of farm production coming from various farm organizational systems has been estimated by Harold Briemyer. His estimates show that 76 to 81 percent of the total farm output value originates from independent farmers, 12 to 15 percent through production contracts, 5 to 7 percent from corporates (excludes the small full-time incorporated farmer) and 1 percent from each of a cooperative system of farming and self-sufficient units.

Another approach is to use an alternative farm-food chain organizational system (see attached sheet). In this market-oriented model, four alternative farm-food organizational systems are shown. They are: 1) open market, 2) farmer input or output agreement, 3) partially integrated, and 4) corporate

farming structure. The model does show where the large non-farm corporate food convertor that may have substantial influence or control fits into the market structure.

The market-oriented model does visualize some of the directional flow of the upward pressures on prices and quantities produced as well as indicating downward competitive price pressures. The model is designed around the key concern--who will control the food and fiber organizational system.

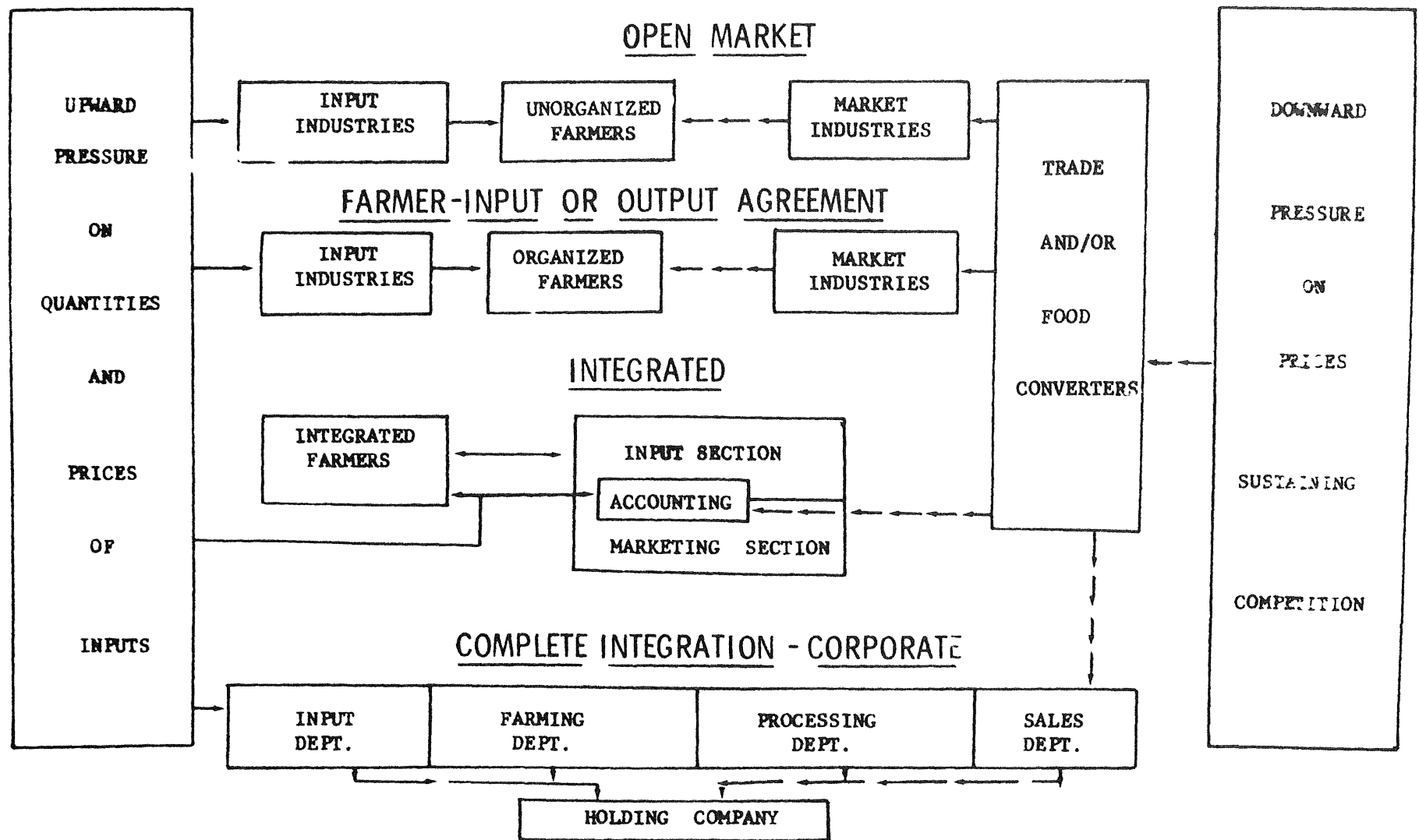
This model was used in the National Public Policy Education Conference held September 19-21 because some of the participants would feel more at ease with the market rather than production oriented approach. Some of you may feel the same way; some may want to redesign the model.

Summary

Farm operators, citizens, businessmen, legislators and others are expressing concern over the organizational system and who will control U.S. agriculture. The concerns of people are broad, philosophical, and real. They are related to two major trends. These trends are: 1) the increasing size of farms and concentration of production, and 2) greater involvement of forces outside of farming to coordinate production through contractual or integrated arrangements.

Farm operators may be more concerned than many others at the present time because they are faced with a combination of these two developments. Leonard Schnell, President of The Ohio Farm Bureau, recently said, "Vertical integration will increase. The concern of farms is, who will control it? Will integration be backward or forward? Who is to have the decision-making role?" More recently in Illinois, Secretary of Agriculture, Earl Butz, said, "The question of who will control farming in America is the issue which agriculture must face in this decade."

FARM-FOOD CHAIN PRESSURES AND ORGANIZATIONAL ALTERNATIVES



In my judgment, the issue will be with us for a long time. We have a challenge in further identifying the issue, assisting in clarification of objectives, providing a framework for discussion of organizational alternatives to help solve the problems, providing facts, and assisting people in assessing the consequences of the various alternatives. What we do as researchers and extension educators can make a difference.